

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Frankfort City - County Airport Authority	County Benzie
Fiscal Year End June 30, 2006	Opinion Date February 1, 2007	Date Audit Report Submitted to State May 14, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Anderson, Tackman & Co., PLC		Telephone Number 906-495-5952		
Street Address 16978 S. Riley Avenue		City Kincheloe	State MI	Zip 49788
Authorizing CPA Signature <i>Kenneth A. Talsma</i>		Printed Name Kenneth A. Talsma		License Number 1101024989

**FRANKFORT CITY - COUNTY AIRPORT AUTHORITY**

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BASIC FINANCIAL STATEMENTS

June 30, 2006

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMA, CPA, PRINCIPAL  

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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

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**MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board  
Frankfort City - County Airport Authority  
Frankfort, Michigan 49635

We have audited the accompanying financial statements of the business-type activity and major fund of the Frankfort City - County Airport Authority as of and for the year ended June 30, 2006, which collectively comprises the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity and major fund of the Frankfort City - County Airport Authority as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2007, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on page 3 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

February 1, 2007

## **Management's Discussion and Analysis**

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**Using this Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances.

**The Authority as a Whole**

The Authority's combined net assets increased 25.16% from a year ago from \$1,285,302 to \$1,608,661. The business-type activity experienced a \$323,359 increase in net assets, primarily as a result of large donations and Airport improvement projects. In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year:

	Business-Type Activity	
	2006	2005
Current Assets	\$ 248,818	\$ 222,713
Noncurrent Assets	<u>1,359,843</u>	<u>1,062,589</u>
Total Assets	<u>1,608,661</u>	<u>1,285,302</u>
Current Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>
Net Assets		
Invested in Capital Assets	1,359,843	1,062,589
Unrestricted (Deficit)	<u>248,818</u>	<u>222,713</u>
Total Net Assets	<u>\$ 1,608,661</u>	<u>\$ 1,285,302</u>

The current level of unrestricted net assets for our business-type activity stands at \$248,818, or about 148% of expenses. This is within the targeted range set by the Authority's Board of Directors during its last budget process.

The following table shows the activities of the Authority.

	Business-Type Activity	
	<u>2006</u>	<u>2005</u>
Revenues		
Federal Grants	\$ 150,192	\$ -
State Grants	165,660	-
Charges for Services	83,443	82,589
Donations	85,000	35,118
Interest and Other	<u>7,291</u>	<u>6,184</u>
Total Revenues	<u>491,586</u>	<u>123,891</u>
Expenses		
Operations	119,093	89,920
Depreciation Expense	<u>49,134</u>	<u>47,936</u>
Total Expenses	<u>168,227</u>	<u>137,856</u>
Change in Net Assets	<u>\$ 323,359</u>	<u>\$ (13,965)</u>



**Business-Type Activity**

The Authority's total business-type revenues increased by approximately \$367,695, primarily due to the increase in donations and grants received from MDOT.

Expenses increased by about \$30,371 during the year. This was primarily the result of fuel purchases throughout the year.

**Capital Asset and Debt Administration**

At the end of 2006, the Authority had \$1,359,843 invested in a broad range of capital assets, including airport property, hangers and a weather observation terminal.

The Authority had no long term debt obligations at year end.

**Economic Factors and Next Year's Budgets and Rates**

A direct reflection of a soft economy, the Authority's 2006 budget will be tight essentially a "hold the line" document when compared to the 2005 program. Insurance costs and fuel continue to increase.

**Contacting the Authority's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Authority at 501 Main Street, Frankfort, Michigan or call 231-352-9655.

## **Basic Financial Statements**

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**ASSETS**Current Assets

Cash and Equivalents	\$ 243,743
Inventory	<u>5,075</u>
Total Current Assets	<u>248,818</u>

Non Current Assets

Capital Assets, (Net of Accumulated Depreciation)	<u>1,359,843</u>
TOTAL ASSETS	<u>\$ 1,608,661</u>

**LIABILITIES AND NET ASSETS**Current Liabilities

Accounts Payable	\$ <u>-</u>
TOTAL CURRENT LIABILITIES	<u>-</u>
TOTAL LIABILITIES	<u>-</u>

Net Assets

Investment in Capital Assets	1,359,843
Unrestricted	<u>248,818</u>
TOTAL NET ASSETS	<u>1,608,661</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,608,661</u>

The accompanying notes are an integral part of these financial statements.

**Frankfort City - County Airport Authority****Statement of Revenues, Expenses, and  
Changes in Net Assets  
Year Ended June 30, 2006****OPERATING REVENUE:**

Leases and Rentals	\$ 39,845
Donations	85,000
Fuel Sales	40,231
Miscellaneous	<u>3,367</u>

TOTAL OPERATING REVENUES 168,443

**OPERATING EXPENSES:**

Contract Management Services	27,129
Other Contractual	7,000
Fuel	36,635
Insurance	10,943
Depreciation	49,134
Office Supplies	203
Repairs and Maintenance	7,510
Utilities	10,162
Weather Observation System	4,403
Miscellaneous	<u>15,108</u>

TOTAL OPERATING EXPENSES 168,227

TOTAL OPERATING INCOME (LOSS) 216

**NON-OPERATING INCOME (EXPENSE):**

Interest Earnings	4,291
City Appropriations	<u>3,000</u>

Total Non-Operating Income (Expense) 7,291

**INCOME BEFORE CONTRIBUTIONS:**

Federal Capital Grants	150,192
State Capital Grants	<u>165,660</u>

Total Income Before Contributions 315,852

Change in Net Assets 323,359

NET ASSETS, JULY 1 1,285,302

NET ASSETS, JUNE 30 \$ 1,608,661

The accompanying notes are an integral part of these financial statements.

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Receipts from Customers	\$ 168,443
Payments to Suppliers	(119,093)
Net Cash Provided (Used) by Operating Activities	<u>49,350</u>

**CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:**

Appropriations	<u>3,000</u>
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>3,000</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Federal and State Grants	315,852
Acquisition and Construction of Capital Assets	(346,388)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(30,536)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest on Investments	<u>4,291</u>
Net Cash Provided (Used) by Investing Activities	<u>4,291</u>
Net Cash Provided (Used) - All Activities	26,105
Cash and Cash Equivalents at Beginning of the Year	<u>217,638</u>
Cash and Cash Equivalents at End of the Year	<u><u>\$ 243,743</u></u>

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating Income (loss)	216
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	49,134
Change in Assets and Liabilities:	
Accounts and Other Payables	<u>-</u>
Net Cash Provided by Operating Activities	<u><u>\$ 49,350</u></u>

The accompanying notes are an integral part of these financial statements.

## **Notes to Financial Statements**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Frankfort City - County Airport Authority, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The Authority is classified as a business-type activity in accordance with GASB Statement #34. The following is a summary of the significant accounting policies used by the Authority:

**A – Reporting Entity:**

The financial statements of the Authority include the following operations: Airport management and hanger lease management. The operations listed above are included because the Authority has direct oversight responsibility over each operation.

The Authority was incorporated on August 3, 1995, by the City of Frankfort, Michigan, under provisions of Act No. 206, of 1957, as amended, for the purpose to plan, promote, acquire, construct, improve, enlarge, extend, own and maintain an airport. The Board consists of two members appointed by the City of Frankfort, two members appointed by the County of Benzie and one member from the public.

**B – Basic Financial Statements**

The basic financial statements (i.e., the statement of net assets and the statement of revenues, expenses, and changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

**C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:**

The basic financial statements are reported using the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

Business-type activity funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for rent and sales. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses. There is only one major fund, the operating fund.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****D - Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Deposits are recorded at cost.

Inventories and Prepaid Items – Fuel inventory is capitalized using the first-in first-out average cost method of valuation. All other inventories, including the cost of supplies, are expensed when purchased. Expenditures for insurance and similar services are expensed when paid.

Capital Assets – Capital assets, which include property, plant, and equipment, infrastructure assets (e.g., runways, sidewalks, and similar items) are reported. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation – Property, plant, infrastructure and equipment are depreciated using the straight-line method over the following useful lives:

Infrastructure	20-30 years
Buildings	40 years
Building and Improvements	20-30 years
Equipment and Vehicles	5-10 years

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

**NOTE 2 - CASH AND EQUIVALENTS**Statutory Authority:

Michigan law (Act 196 PA 1997) authorizes the Authority to deposit and invest in one or more of the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.



**NOTE 2 - CASH AND EQUIVALENTS: (Continued)**

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Bankers acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Authority's deposits are in accordance with statutory authority. The Authority's deposits are located in a local financial institution. All deposits are carried at cost.

Balance Sheet Account

Cash and equivalents	\$	243,743
		<hr/>
	\$	<u><u>243,743</u></u>

Cash Items

Checking	\$	3,803
Savings		<hr/>
	\$	<u><u>243,743</u></u>

**Investment and Deposit Risk**

*Interest rate risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the above list of authorized investments. The Authority's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* The Authority's investment policy does not have specific limits in excess of state law on investment credit risk. The Authority has no investments for which ratings are required.

**NOTE 2 - CASH AND EQUIVALENTS: (Continued)**

*Custodial credit risk.* Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require and the Authority does not have a policy for deposit custodial credit risk. As of year end, \$145,392 of the Authority's bank balance of \$245,392 was exposed to credit risk because it was uninsured and uncollateralized.

**NOTE 3 - CAPITAL ASSETS**

Capital Asset activity for the Authority for the current year was as follows:

	Balance 07/01/05	Increases	Decreases	Balance 06/30/06
<b>Business-Type Activity:</b>				
Capital assets not being depreciated:				
Land	\$ 178,185	\$ 10,000	\$ -	\$ 188,185
Construction in progress	-	315,852	-	315,852
Subtotal	178,185	325,852	-	504,037
Capital assets being depreciated:				
Buildings	835,074	-	-	835,074
Improvements	307,947	-	-	307,947
Equipment	142,100	20,536	-	162,636
Vehicles	29,172	-	-	29,172
Subtotal	1,314,293	20,536	-	1,334,829
Less accumulated depreciation for:				
Buildings	(241,431)	(17,502)	-	(258,933)
Improvements	(85,116)	(17,890)	-	(103,006)
Equipment	(85,840)	(7,908)	-	(93,748)
Vehicles	(17,502)	(5,834)	-	(23,336)
Subtotal	(429,889)	(49,134)	-	(479,023)
Net Capital Assets being Depreciated	884,404	(28,598)	-	855,806
Total Capital Assets – Net of Depreciation	\$ 1,062,589	\$ 297,254	\$ -	\$ 1,359,843

**NOTE 4 - COMMITMENTS AND CONTINGENCIES:**

Grant Assistance – The Authority receives significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits should become a liability of the applicable fund of the Authority.

Commitments - During fiscal 2006, the Authority executed two grants with the Michigan Department of Transportation for the design and construction of airport improvements on runway, including runway safety area (RSA) sight work, wetland mitigation, land acquisition, and airport road relocation. At year end the projects were 14% complete with an additional \$734,055 in federal, state and local funding available to complete the projects.

**NOTE 5 - RELATED PARTIES:**

The County of Benzie, Michigan – Treasurer's Office provides accounting and related financial services to the Frankfort City - County Airport Authority at no charge. The Treasurer of the Authority is also the Treasurer of the County who performs transactions in the normal course of operations for the Authority.

**NOTE 6 - RISK MANAGEMENT:**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Authority joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The government pays an annual premium to the pool for its automobile, property, general liability, and Worker's Compensation insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$250 for each insured event.

The Authority continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Authority is unable to provide an estimate to the amounts of any potential additional assessments.

**NOTE 7 - FEDERAL GRANTS:**

The Michigan Department of Transportation (MDOT) requires that all Airport Authority's report all federal and state grants pertaining to their agency. During the year ended June 30, 2006, the federal aid received and expended by the Authority was \$150,192 for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT (they are included in MDOT's single audit). Local force account projects are projects where the Authority performs the work and would be subject to single audit requirements if they expended \$500,000 or more.

## **Report on Compliance**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

Members of the Board  
Frankfort City - County Airport Authority  
Frankfort, Michigan 49635

We have audited the financial statements of the business-type activity and major fund, of the Frankfort City - County Airport Authority as of and for the year ended June 30, 2006, which collectively comprise the Frankfort City - County Airport Authority's financial statements and have issued our report thereon dated February 1, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Frankfort City - County Airport Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Frankfort City - County Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Frankfort City – County Airport Authority in a separate letter dated February 1, 2007.

This report is intended solely for the information and use of the Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

February 1, 2007



**ANDERSON, TACKMAN & COMPANY, PLC**  
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**REPORT TO MANAGEMENT**

Members of the Board  
Frankfort City – County Airport Authority  
Frankfort, Michigan 49635

We have audited the financial statements of the Frankfort City - County Airport Authority as of and for the year ended June 30, 2006, and have issued our reports thereon dated February 1 2007. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards**

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Frankfort City – County Airport Authority. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Frankfort City – County Airport Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### **Significant Accounting Policies**

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Board are described in Note 1. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Board during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Management Judgments and Accounting Estimates**

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Estimated useful lives of capital assets are examples.

### **Significant Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by management that could potentially cause future financial statements to be materially misstated, even though we have concluded such adjustments are not material to the current financial statements. Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

### **Disagreement with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultation with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.



### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in the performance of our audit.

### **Comments and Recommendations**

#### **Fixed Assets (Prior)**

The Authority should perform a reconciliation of its fixed assets on a biennial basis to ensure fixed assets records are kept current and in agreement with those amounts on the financial statements.

Status: No change.


#### **MDOT Projects**

The Michigan Department of Transportation (MDOT) requires that all Airport Authority's report all federal and state grants pertaining to their agency. During the year ended June 30, 2006, the federal and state aid received and expended by the Authority was \$315,852 for contracted projects. Contracted project are defined as projects performed by private contractors, paid for and administered by MDOT. We recommend that the Authority record such grants and their expenditures in their financial statements as MDOT requires.

### **Conclusion**

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of assistance in implementing these recommendations, please contact us.

This report is intended solely for the information and use of the Members of the Board, finance committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

February 1, 2007